



**Directorate of  
Intelligence**

~~**Secret**~~

25X1

# **Jordan: Economic Recession and the Impact on Key Interest Groups**

25X1

**An Intelligence Assessment**

~~**Secret**~~

*NESA 87-10057  
December 1987*

*Copy 411*

**Page Denied**



**Directorate of  
Intelligence**

**Secret**

25X1

# **Jordan: Economic Recession and the Impact on Key Interest Groups**

25X1

**An Intelligence Assessment**

This paper was prepared by [redacted]  
Office of Near Eastern and South Asian Analysis,

25X1

[redacted]  
It was coordinated with the Directorate of Operations.  
Comments and queries are welcome and may be  
directed to the Chief, Arab-Israeli Division, NESA,

25X1

25X1

*Reverse Blank*

**Secret**

*NESA 87-10057  
December 1987*



Secret

25X1

**Jordan: Economic Recession  
and the Impact on Key  
Interest Groups**

25X1

**Key Judgments**

*Information available  
as of 1 December 1987  
was used in this report.*

The almost certain prospect of shrinking foreign revenues will severely squeeze Jordan's already cash-short economy for the rest of this decade. Jordan can expect the protracted recession in the Middle Eastern oil market to reduce its two key external financial inflows—expatriate workers' remittances and Arab financial assistance. The payments made since 1978 by the Arab states under the terms of the Baghdad Pact are scheduled to expire in 1988, and bilateral aid beyond then probably will be less than half of the original annual commitment of \$1.3 billion. Expatriate workers' remittances will continue to fall, reflecting diminished job opportunities abroad.

25X1

Shrinking Arab assistance and worker remittances will force Jordan to rely increasingly on commercial borrowing if it is to avoid sharp import reductions. Amman cannot fall back on its foreign exchange reserves, which already are at a dangerously low level. Heavy commercial borrowing will test Jordan's ability to manage a rapidly growing foreign debt and will threaten to undermine its traditionally strong international credit rating.

25X1

The anticipated decline in foreign exchange inflows will force increased budget austerity. Faced with sizable budget deficits, the government cannot spur economic growth as it did during the boom years of the mid-1970s. Even the top-priority military budget will feel the effects of fiscal cuts. Jordan's military readiness will erode, and major weapon procurement programs will have to be postponed or curtailed.

25X1

The poor prospects for foreign financial income make it almost certain that Amman will fall far short of the goals set in its ambitious five-year plan (1986-90), which focuses on improving the quality of life on the West Bank and reducing unemployment in Jordan. Foreign aid for the West Bank program—especially from Arab donors—is unlikely to come close to meeting Jordan's needs. Amman's optimistic expectations for job opportunities both in Jordan and abroad, domestic revenues, and the role of the private sector are unrealistic. Budgetary problems—combined with a rapidly growing labor force—could cause the unemployment rate to increase from about 10 percent this year to 15 percent by 1990 in the likely event the government decides not to become the employer of last resort.

25X1

Secret

NESA 87-10057  
December 1987

**Secret**  

25X1

The monarchy's failure to deliver on its promises will heighten discontent among key interest groups—particularly the students, military, Palestinians, and native Jordanian elite—who already are grumbling over official corruption and foreign policy shortcomings, especially in the peace process. Islamic fundamentalists are likely to intensify their recruitment efforts to exploit the growing dissatisfaction, especially among Jordan's large student population.

25X1

King Hussein's credibility among West Bank Palestinians, who already are skeptical of his intentions toward the occupied territories, is also likely to suffer. A major failure of Hussein's plan for the occupied territories may cost him the opportunity to create a Jordanian-Palestinian negotiating team that eliminates the PLO—and thereby a major obstacle to the peace process.

25X1

Economic difficulties alone, however, will not generate enough discontent to threaten the stability of the Hashemite kingdom. Several key domestic groups have a large stake in preserving the status quo and are loyal to the King—if not to the government. King Hussein—who enjoys the support and esteem of most Jordanians—will seek to mollify these groups by minimizing unpopular austerity measures and will allow sharper parliamentary and media debate on economic issues so long as the King's authority is not challenged. If necessary, however, he will resort to repressive tactics including the denial of civil liberties and perhaps even the sacking of key members of the Cabinet.

25X1

Faced with growing financial difficulties, King Hussein will press the United States for increased economic assistance for both his Jordanian and West Bank development programs. US refusals for new financial aid almost certainly would lead to further erosion in US-Jordanian relations. Even though King Hussein realizes that Congressional constraints have stymied Washington's ability to respond positively to his military aid requests, US credibility is down in Amman and Jordan seriously questions US reliability as an ally.

25X1

Hussein is committed to modernizing his military—especially the Air Force—to preserve at least a minimal defensive capability against Israel and Syria. He is likely to turn to the USSR as an alternative source of modern equipment. Although he prefers US F-16s, Hussein is nearing a decision to buy a squadron of MIG-29s because for political and financial reasons US or West European aircraft are unavailable.

25X1

**Secret**

**Secret**

25X1

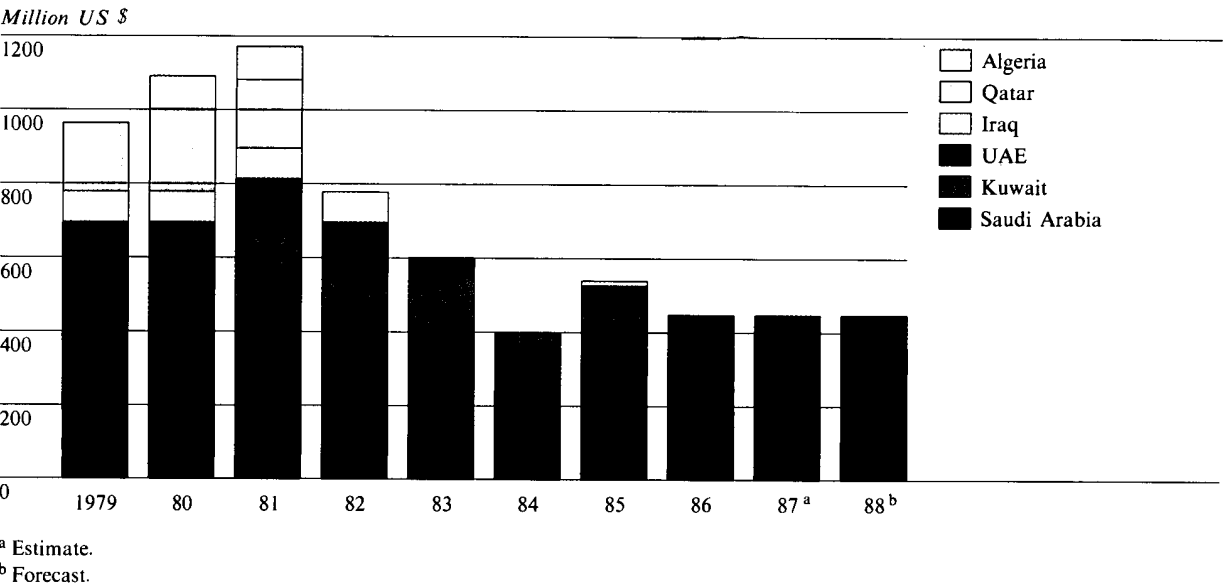
**Contents**

	<i>Page</i>
Key Judgments	iii
Critical Foreign Exchange Shortfalls	1
Domestic Impact	2
Amman's Remedies	3
Foreign Payments Roadblocks	4
More Borrowing Ahead	5
Protracted Domestic Austerity	6
Other Obstacles	8
Reactions of Key Interest Groups	9
Students	9
Military	10
Palestinians	12
Jordanian Elite	12
Islamic Activists	13
Other Interest Groups	14
Religious and Ethnic Minorities	14
Political Groups	14
Labor Unions	14
Response From the Throne	14
Implications for the United States	15
 <b>Appendix</b>	
An Assessment of Political Impacts Using an Influence Diagram	17

Secret

25X1

**Figure 1**  
**Jordan: Baghdad Aid Payments, 1979-88**



315197 12-87

25X1

Secret



Secret

25X1

### Jordan: Economic Recession and the Impact on Key Interest Groups

25X1

After enjoying nearly a decade of rapid growth and financial stability, the Jordanian economy has deteriorated since the beginning of the world oil market downturn in 1982. Resource poor and lacking a broad industrial base, the monarchy had counted on expatriate worker remittances and grants from its Arab benefactors—which averaged roughly two-thirds of GDP during the oil boom years—to fuel Jordan's expanding economy. Since the oil market slump, the progressive slowdown in these all-important sources of income has put a brake on economic growth in Jordan and thrown the success of Amman's current development plan into serious doubt.

#### Critical Foreign Exchange Shortfalls

The oil-induced regional recession has translated into stagnating expatriate worker remittances, Jordan's most important source of foreign exchange, as job opportunities for Jordanians in the Persian Gulf have tapered off. Expatriate earnings fell to about \$787 million in 1985 after climbing at about a 19-percent average annual rate between 1980 and 1984, according to official statistics. We believe the 19-percent increase in worker remittances in 1986 over 1985 was largely a function of more worker savings entering official—and therefore recorded—channels.

Another major cause of Jordan's foreign payments difficulties was a decline in Arab aid promised Amman under the 1978 Baghdad Accord. In 1986, Gulf states Baghdad payments, Jordan's third most important source of income, fell to \$447 million from \$540 million in 1985 and a peak of \$1.2 billion in 1981, according to the US Embassy in Amman. Of the original seven countries that made commitments—Saudi Arabia, Kuwait, Libya, Iraq, Algeria, Qatar, and the United Arab Emirates—only Saudi Arabia continues to honor its original pledge.

At the same time, Jordan could not reduce its trade deficit enough to compensate for the slowdown in Arab grants and worker remittances. Exports—especially phosphates, which account for about 40 percent

of merchandise sales abroad—fell victim to depressed world demand and increased competition from foreign producers. World prices for phosphates fell from \$42 per metric ton in 1982 to \$34 in 1986. Jordan, however, nearly offset the price decline by taking advantage of better quality and lower transportation costs to boost export volumes. Jordan managed to trim imports—especially of project-related capital goods—11 percent in 1986 to \$2.4 billion in response to declining export revenues, according to official statistics. A cheaper bill for oil and fuel imports in 1986, when oil prices fell by almost half to \$15 per barrel, was the most important contributor, saving Jordan roughly \$250 million on the cost of oil. The net result was a 13-percent reduction in the trade deficit from 1985, but Jordan still was left with a trade shortfall of about \$1.7 billion.

25X1

25X1

Other sources of external income—especially tourist earnings and transportation receipts—were insufficient to close the trade gap. Revenues from tourism and transportation services fell 22 percent from their 1985 level to \$209 million in 1986, according to the US Embassy. As a result, Jordan ran a current account deficit in 1986 of about \$68 million, a \$190 million improvement over 1985 that was due almost entirely to the one-time savings on the oil bill.

25X1

Foreign direct investment in Jordan—which by mid-1987 totaled as much as \$2.6 billion, or about 56 percent of GDP—has slowed considerably because of the regional economic slowdown and Jordan's generally poor business climate, according to the US Embassy. Although Arab investment has remained constant, some Western firms have begun to pull up stakes. To attract new investment, Jordan passed legislation in 1987 to provide incentives for foreign venture capital to flow into projects that will contribute the most to economic growth.

25X1

25X1  
25X1

Secret

**Secret**

**Table 1**  
**Jordan: Balance of Payments, 1979-90**

*Million US \$*

	Trade Balance	Exports	Imports	Services <sup>a</sup>	Grants <sup>b</sup>	Current Account
1979	-1,205.4	311.9	1,517.3	276.6	1,002.1	73.3
1980	-1,401.2	442.2	1,843.4	539.4	1,164.0	302.2
1983	-2,460.3	580.4	3,040.7	1,254.4	812.5	-393.4
1984	-2,032.7	757.0	2,789.7	1,030.3	725.5	-276.9
1985	-1,938.0	788.8	2,726.8	879.9	799.5	-258.6
1986	-1,698.2	731.7	2,429.9	965.0	665.2	-68.0
1987 <sup>c</sup>	-1,740.0	710.0	2,450.0	948.0	567.0	-225.0
1988 <sup>d</sup>	-1,710.0	740.0	2,450.0	927.0	570.0	-213.0
1989 <sup>d</sup>	-1,730.0	770.0	2,500.0	908.0	523.0	-299.0
1990 <sup>d</sup>	-1,715.0	785.0	2,500.0	883.0	523.0	-309.0

<sup>a</sup> Includes worker remittances, tourism, and investment income.<sup>b</sup> Includes Baghdad grants; payments agreement expires in 1988, but we assume some grants—especially from Saudi Arabia—will continue on an ad hoc basis.<sup>c</sup> Estimated.<sup>d</sup> Projected.**Domestic Impact**

The most serious consequence of the drop in foreign exchange inflows has been a sharp increase in unemployment. Because of the resulting decline in investment and private consumption, unemployment increased from 6 percent in 1985 to about 12 percent in 1987, leaving about 60,000 Jordanians out of work, according to the US Embassy. Many of these unemployed are white-collar and skilled workers who make up the most politically active segments of the society.

Slumping demand for Jordanian workers in Arab oil-producing countries has put additional pressure on the local job market. Slightly more than 35 percent of Jordan's labor force in recent years has found employment in overseas job markets. Official statistics indicate that in 1986 3,000 new jobs for Jordanians were available abroad, down from 5,600 in 1985 and less than half the overseas opportunities in 1980, when these markets allowed Jordan to maintain full employment.

Government willingness to act as employer of last resort over the past several years has accommodated a sizable number of additional workers who otherwise would be jobless. The US Embassy reports that about 25 percent of the Royal Jordanian Airline's 4,000 personnel were redundant in 1986. Because the airline is a state enterprise, it does not have the flexibility to release these surplus workers. Over half of the 3,600 employees of the Jordan Phosphate Mining Company are similarly underemployed, according to the Embassy

Shrinking Arab aid and stagnating worker remittances translated into a declining standard of living for the Jordanian consumer in 1986. Private consumption fell by 6 percent in 1986 in contrast to an increase of nearly 3 percent in 1985, according to official statistics. The average Jordanian apparently can buy ample quantities of most commodities, but the sale of

25X1

25X1

25X1

25X1

**Secret**

Secret

**Table 2** *Thousand persons*  
**Jordan: Labor Force Trends,**  
**1986, 1987, and 1990**

	1986	1987 <sup>a</sup>	1990 <sup>b</sup>
Total	1,037	1,040	1,110
Nationals	867	890	990
Domestic labor force	535	565	670
Employed	485	503	537
Unemployed	50	62	133
Working abroad	332	325	320
Foreign workers	170	150	120

<sup>a</sup> Estimated.

<sup>b</sup> Projected.

big ticket items and luxury goods has slackened, even among Jordan's wealthy. The Embassy reports, for example, that sales of Mercedes Benz cars by Amman's leading dealer dropped to an average of eight a month in 1986 compared with 30 a month before the recession. Private-sector investment declined almost 2 percent from the 1985 level, a development that has helped depress economic growth. GDP increased only 2.6 percent in 1986, an improvement over 1985, but still well below the boom years of 1975 through 1980, when the economy grew 10 percent annually.

#### Amman's Remedies

Growing concern over the prospect of a further surge in unemployment has prompted Jordanian officials to make job creation a major objective of the current five-year development plan (1986-90). The plan calls for the government to generate 97,300 new jobs by 1990 to help absorb the anticipated growth in the labor force and to hold unemployment to about 10 percent. To coordinate the effort, Prime Minister Zayd al-Rifa'i established an unemployment committee consisting of government officials as well as university leaders, according to the Embassy. The committee is paying special attention to finding jobs for individuals with university degrees or technical expertise, such as doctors and engineers.

At the same time, the government is taking tentative steps to restrict the number of students entering oversubscribed fields, especially those for doctors and engineers. The Ministry of Education has proposed a regulation that would require minimum scores on entrance exams for students wishing to pursue careers in medicine, according to the US Embassy. The Ministry also is beginning a reorientation of school curriculums that emphasizes vocational and technical training. The Embassy reports that enrollment in vocational training has reached 12,000 students, a 20-percent increase over 1986. In addition, the government is considering adding a 10th year to compulsory education to keep students out of the labor market another year.

Acknowledging that the government can no longer provide enough new employment opportunities, Jordan has turned to the private sector as the primary engine for job creation. The development plan emphasizes the expansion of free markets and the concentration of public spending on those projects that stimulate new private enterprises in the manufacturing sector, especially those that are labor intensive. To coordinate policy decisions between the government and the private sector, Amman has appointed leading representatives from both sectors to an economic consultative council under the chairmanship of Rifa'i, according to the Embassy.

To enhance the development of the private sector, Amman also incorporated in the 1987 budget an ambitious program to convert state-owned enterprises into private companies. Emphasizing the importance the kingdom places on the concept, Rifa'i heads the committee that is considering the possibility of extending privatization to all government enterprises. Sensitive to political repercussions that might spring from criticism of the plan, Rifa'i has reaffirmed that he will change the status of public companies only after conducting a thorough study and undertaking legislative preparation on a case-by-case basis.

Secret

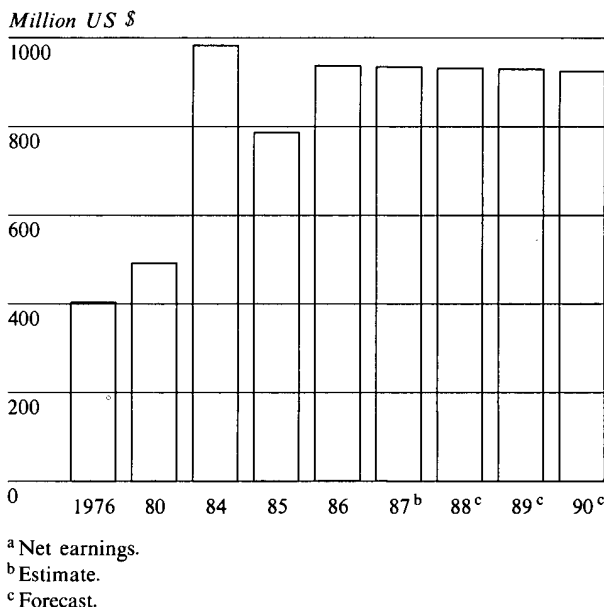
To help free existing jobs for Jordanians, Amman is sending home some of the approximately 150,000 foreign workers in Jordan, who account for about 14 percent of the work force. The government's objective is to replace 50,000 foreign workers with Jordanians by 1990. In February 1987 the Ministry of Labor increased the yearly fees for labor permits for non-Arab workers in Jordan—mostly from Sri Lanka and the Philippines—by as much as 200 percent to discourage employers from retaining foreigners on the payroll, according to the Embassy. More recent measures include banning foreign workers from semi-skilled jobs such as sales clerk and gas station attendant and terminating contracts for non-Jordanian high school teachers. The Embassy reports these efforts helped reduce the number of Egyptian workers by 20 percent to 120,000 during the first half of 1987.

#### Foreign Payments Roadblocks

Worker remittances are likely to remain in the doldrums over the next several years. We believe job opportunities, especially for skilled labor, will dwindle in the Gulf states, where nearly all Jordanian expatriate workers are employed. Those Jordanians who keep their jobs probably will have to accept lower wages as employing countries cut their wage bills and hire cheaper, generally less skilled Egyptian and Pakistani workers. The average wage in Saudi Arabia, for example, is down 20 to 30 percent from 1986, according to the US Embassy in Riyadh, and new employees are offered up to 50 percent less.

Should oil prices falter even more and the regional economic recession worsen, more laid off expatriate workers in the Gulf oil-exporting states would return to Jordan than those leaving for jobs elsewhere in the Middle East. In 1986 the 3,000 new jobs taken by Jordanians working abroad just balanced the number of returning workers, according to the Embassy. We believe that Jordan's close political and cultural ties to other Arab countries and the fact that many of its workers are concentrated in technical and professional jobs will militate against a large surge in workers returning home. Nevertheless, on the basis of our analysis of demographic trends we believe that these circumstances will not prevent a net flow of returning workers that could reach as high as 12,000 by 1990.

**Figure 2**  
**Jordan: Worker Remittances,**  
**1976-90<sup>a</sup>**



315196 12-87

Jordan can expect even less assistance from its Arab benefactors through the remainder of the 1980s. Beginning in 1987, Oman discontinued its aid payments, which amounted to \$115 million in 1986, [redacted] Kuwait also has suspended payments that totaled roughly \$74 million in 1986. In 1987, Kuwait has given only \$25 million in Baghdad assistance instead of the \$50 million worth of oil and chemical products that Amman hoped to receive. Only Saudi Arabia, Jordan's most reliable donor, continues to honor its original commitment. In November, Riyadh made the last of its three 1987 Baghdad payments, according to the Embassy. [redacted]

With financial problems of their own, Saudi Arabia and Qatar have rebuffed Jordanian requests for increased aid, according to the Embassy. King Fahd has

Secret

held out the possibility that new assistance might be forthcoming in the event Jordan had a specific and dire need. Assuming that only Saudi Arabia and the United Arab Emirates provide Baghdad grants at the 1986 levels—and Kuwait comes through with some aid in kind—Jordan will receive about \$447 million in Arab aid annually in 1987 and 1988. Continued aid becomes problematic beyond 1988, when the Baghdad agreement expires, but we believe a few Arab donor countries, particularly Saudi Arabia, will continue to provide bilateral assistance because they perceive Jordan as a potential key to regional stability. [ ]

We believe that Jordan faces intractable trade deficits unless the kingdom compromises on the objectives of its development plan. We judge that Jordan lacks the necessary self-sufficiency and political will to make additional deep cuts in import spending. It will remain heavily dependent on imports of food, raw materials, and oil. The cost of foreign oil, which accounts for roughly 15 percent of total imports, has increased in 1987 as a result of a 15-percent jump in the average price of OPEC crude. Food accounts for about 13 percent of imports, while other consumer goods make up over two-thirds of the import bill, according to official statistics. [ ]

Export performance probably will not improve substantially. Jordan will be hard pressed to maintain sales of phosphates and fertilizers in the face of a persistently sluggish market. World phosphate prices slid in 1987 to \$31 per metric ton by June, and, because we expect continued depressed demand, we do not foresee prices recovering significantly over the next several years. Jordan probably will not repeat its success in offsetting the impact of weak world commodity prices by increasing export volume as it did in 1986. The Embassy reports that the Arab Potash Company is producing at close to full capacity. Stiffer competition, especially from Morocco, probably will force Jordan to offer generous credit terms or even shave phosphate prices just to maintain its market share of about 10 percent. [ ]

Amman's latest restrictive trade legislation is unlikely to have an appreciable effect on reducing import spending. The government in February 1987 approved tariff regulations that raise customs duties on a wide

variety of luxury consumer goods, including alcohol, readymade clothes, and selected food items, according to the Embassy. Tariffs on most alcoholic beverages and clothing have at least doubled. Because the demand for these items is fairly resistant to price increases, we believe these measures will not reduce consumption of these items substantially but will earn the government about \$50 million annually in additional revenue. [ ]

We expect Jordan's current account deficit to be in the \$200-300 million range for the rest of the decade. Other important foreign exchange earners are unlikely to recover enough to compensate for lower levels of Arab aid and worker remittances. Tourist earnings will make only a scant recovery, in our judgment. The number of Arab travelers to Jordan has declined sharply, reflecting lower incomes in the region and the appreciating Jordanian currency, according to the US Embassy. Fear of terrorism also causes many Western tourists to avoid the region. Meanwhile, interest earnings on diminishing foreign exchange reserves will continue to fall, and interest payments on the growing debt will rise. [ ]

We do not believe Jordan can attract a significant amount of new foreign investment over the next several years. Continued economic sluggishness will discourage new venture capital from entering Jordan. Despite Amman's efforts to promote foreign investment, several compelling constraints exist—including overregulation, lack of export markets, and regional terrorism—that deter foreign private investment. Jordan has made a strong pitch to its workers abroad to convert their foreign earnings into dinar-denominated investments at home, according to the Embassy, but the plea will fall on deaf ears for the same reasons foreigners are dissuaded from investing in Jordan. [ ]

#### **More Borrowing Ahead**

We do not believe that Jordan can tap its foreign exchange holdings to cover its impending current account shortfalls. Foreign exchange reserves plummeted from over \$1 billion in 1980 to \$414 million in

25X1

25X1

25X1

25X1

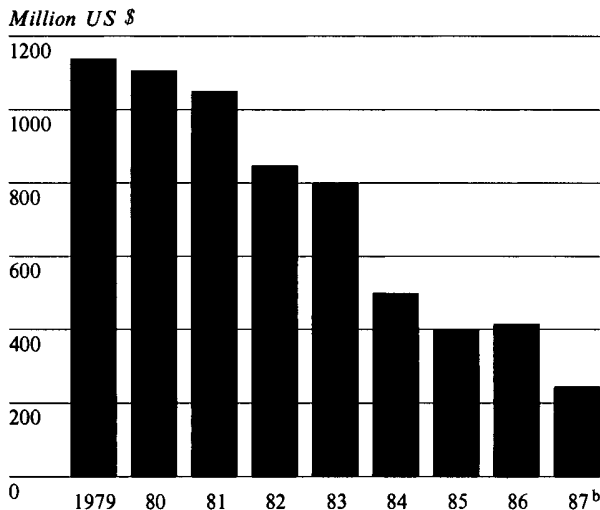
25X1

25X1

Secret

**Secret**

**Figure 3**  
**Jordan: Foreign Exchange Reserves,**  
**1979-87<sup>a</sup>**



<sup>a</sup> End of period.

<sup>b</sup> Through July of indicated year.

315198 12-87

1986, and by July 1987 they had dropped to \$243 million—equivalent to about one month's imports at current rates. Although Amman has eliminated several causes of the decline—including unlimited financing of reexports to Iraq and allowing commercial banks to draw foreign exchange from the Central Bank—it still must pay off other claims that threaten to deplete reserves. The kingdom, for example, must pay \$145 million on its US military debt in 1987 as well as meet the annual installments of roughly \$40 million due over the next five years for Saudi oil purchases made in 1985. Buying Saudi oil—which must be paid for in cash—has put such a strain on reserves that Jordan temporarily stopped purchases in May and again for 30 days starting in mid-September, according to the Embassy.

Jordan will need to turn to increased foreign commercial borrowing—offered at higher interest rates—to avoid substantial cuts in imports. Jordan signed a seven-year syndicated loan agreement in March with the Arab Bank and 19 other participating banks for \$150 million, according to press reports. Reflecting the image of Jordan as stable and creditworthy, the loan was oversubscribed. Foreign banks are willing to lend Jordan an additional \$200 million, according to the Embassy.

Jordan cannot draw down any unused loans for discretionary foreign payments relief. Although the kingdom has roughly \$1.2 billion in undisbursed official loans, most are funds linked to previously curtailed development programs.

We believe that a continued trend of heavy commercial borrowing will test Jordan's ability to service a foreign debt that increased from \$2.2 billion in 1983 to \$3.2 billion by the end of 1986, according to official statistics. Jordan's debt service ratio jumped from about 15 percent to 27 percent over the same period. Moreover, the share of Jordan's outstanding debt owed to commercial lenders increased from 17 percent in 1982 to about 34 percent in 1986. Because these loans are at higher interest rates than government loans, they have been a major contributor to the sharp increase in debt service payments.

#### **Protracted Domestic Austerity**

The revenue crunch has forced Jordan to tighten the purse strings on the 1987 budget. In contrast to the expansionary budget in 1986, when spending grew by nearly 25 percent over 1985, planned expenditures in 1987 of about \$3 billion show a negligible increase over the 1986 level, according to the Embassy. The public sector was the major contributor to Jordan's economic expansion during the period 1981-85, when government spending generated a boom in the construction industry and accounted for nearly half of GDP. By 1985 the government—including the military—employed 48 percent of Jordan's domestic labor

25X1

25X1

25X1

25X1

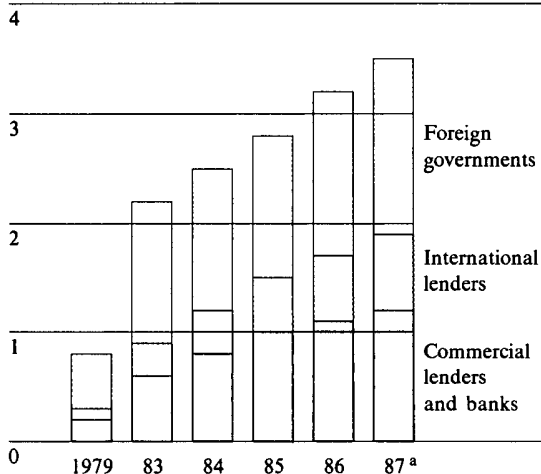
25X1

**Secret**

Secret

**Figure 4**  
**Jordan: Public Debt, 1979-87**

Billion US \$

<sup>a</sup> Estimate.

**Table 3**  
**Jordan: Central Government**  
**Budget, 1985-87<sup>a</sup>**

Million US \$

	1985	1986 <sup>b</sup>	1987 <sup>c</sup>
Total revenue	2,150.0	2,302.5	2,325.0
Domestic	1,252.3	1,525.2	1,610.0
Foreign grants	554.0	423.9	425.0
Foreign loans	247.2	266.7	290.0
Total expenditures	2,398.0	2,957.3	3,005.1
Current	1,598.0	1,708.6	1,726.3
Of which:			
Military	557.6	616.6	625.0
Capital	800.0	1,248.7	1,278.8
Deficit	-248.0	-654.8	-680.1

<sup>a</sup> All data converted at 1987 exchange rate.<sup>b</sup> Preliminary.<sup>c</sup> Estimate assumes spending is maintained at planned levels.

force, according to the US Embassy. As a result of the more austere budget, Amman plans to create only about 33 percent of the new jobs called for in the five-year plan. [REDACTED]

We believe that despite the austerity measures the government imposed in 1987—including reductions for water and electricity allocations—Jordan will not hold its budget deficit to the projected \$190 million. We judge that the 1987 budget deficit will be closer to the 1986 figure, \$655 million. The anticipated \$60 million in savings from these cutbacks will be wiped out by the government's decisions to provide about \$45 million to bail out debt-ridden municipalities and to give about \$96 million in tax relief over the next five years to the Jordan Cement Factories Company. Jordan has shown no inclination to reduce subsidies. Moreover, the economy is unlikely to grow rapidly enough to sustain the sharp increase in revenues forecast in the budget. [REDACTED]

The Jordanian armed forces—a cornerstone of the monarchy's stability—have suffered from the tighter budget in 1987. The Embassy reports that military spending for all requirements except procurement is budgeted at about \$625 million, virtually the same as the 1986 allocation. Because of rising prices, we do not believe that available procurement funds will allow the military to purchase even the 1986 level of hardware, a development that could pose an additional threat to unit readiness. Fiscal austerity already has contributed to manpower shortages and logistic problems, including insufficient training ammunition, reduced flying time for fighter pilots, and an inadequate supply of spare parts, according to the US Embassy. Moreover, funding shortages have forced Amman to cut back its procurement programs for major weapon systems and other capital expenditures critical to its efforts to modernize the armed forces. The only planned major weapons acquisition is a new fighter airplane. [REDACTED]

Secret

25X6

#### **Other Obstacles**

If current demographic trends continue, Amman will have to find work for about 135,000 new entrants to the labor force by 1990—a 25-percent increase in the local work force. The high birth rate—3.7 percent—coupled with immigration from the West Bank and other Arab states guarantees a rapidly growing population. Jordan's working-age population will swell from about 1.3 million today to more than 1.4 million by 1990, according to a World Bank study, making the average annual growth rate for the labor force at least 5 percent. [REDACTED]

The best Amman could expect by 1990 would be 30,000 additional jobs, even in the unlikely event that Jordanians replaced all the Asian workers. Reductions in the foreign worker presence in Jordan are

unlikely to free a significant number of new jobs for Jordanians. The law raising labor fees, for example, applies only to Asian workers, who make up but 20 percent of the foreign work force. In any event, most of the jobs these individuals hold are low-paying, unskilled positions that are not attractive to the more educated Jordanians. Most foreign workers are from Egypt, one of Jordan's most valued political allies. As a result, Amman is reluctant to irritate Cairo—which has even more serious economic problems—by enacting laws substantially restricting Egyptian labor. We believe Jordan also will be slow to deal with the growing number of workers from Syria—20,000 new arrivals by June 1987—because of its politically sensitive relations with Damascus. [REDACTED]

25X1

25X1

**Secret**



Secret

Specific proposals for privatization probably will spark criticism from groups that would be affected as the plan comes closer to implementation. The Embassy reports that both parliamentarians and prominent businessmen have expressed concern that the companies converted from government ownership might end up in bankruptcy or in the hands of foreign owners who will not rely on the local labor pool. Private outcries are even more harsh and center on charges of official corruption and favoritism rumored to reach to the Prime Minister's office. [redacted]

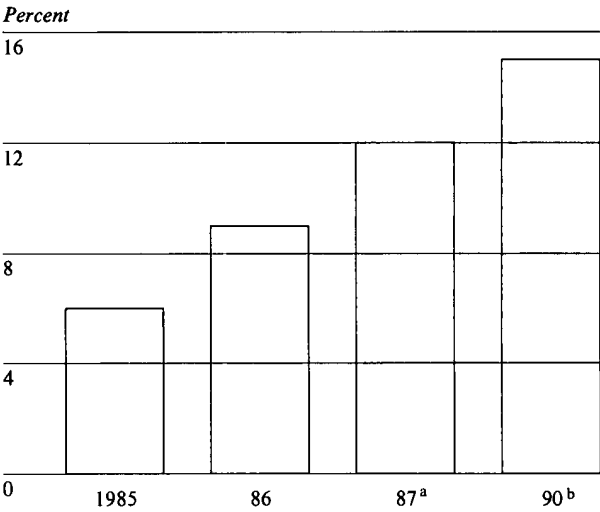
Without significant increases in its key sources of external income—especially Arab grants and worker remittances—Jordan stands little chance of attaining its ambitious 5-percent annual growth target. We believe that the slowdown in foreign exchange inflows, including exports, has contributed to lackluster performance in important economic sectors, including mining and manufacturing, and, as a result, will prevent the economy from growing significantly faster than the real 2.6-percent annual rate in 1986. This slower growth rate, combined with a more austere government budget, will not provide enough jobs to achieve Jordan's anticipated employment goal. We agree with Embassy estimates that, unless Amman takes decisive action or absorbs additional workers as the employer of last resort, Jordan's unemployment rate could reach 15 percent by 1990. Moreover, Jordan's rapidly growing population will outpace increases in GDP, continuing a decline in real per capita income that in 1986 fell for the fourth straight year. [redacted]

Reactions of Key Interest Groups

Our analysis, derived from an influence-diagramming process, helped us determine the most likely reactions of key interest groups to the economic recession. A protracted economic downturn will heighten discontent most seriously among students, Palestinians, and the Jordanian elite, and somewhat less so among the military. [redacted]

**Students.** Jordan's large student population—about one-third of the general population is in school—provides the greatest potential for unrest. Graduating seniors of Jordanian universities are increasingly frustrated with poor job prospects and the government's

Figure 5  
Jordan: Domestic Unemployment,  
1985-90



<sup>a</sup> Estimate.  
<sup>b</sup> Forecast.

[redacted] 315200 12-87

handling of the problem, [redacted]  
[redacted] US Embassy and World Bank projections of current trends for graduations and job openings indicate that large labor surpluses will exist by 1990 among the major professional job categories, particularly scientists, teachers, and holders of liberal arts degrees. The US Embassy reports unemployment among secondary school and college graduates is already well above the national average. [redacted]

A majority of graduating seniors blames the government for the lack of job opportunities, [redacted]  
[redacted] At a minimum, many students intend to use family connections to press the government to force the private sector to provide training and employment. These students continue to harbor unrealistically high job expectations and are choosing business

Secret

**Economic Deterioration in Jordan**

*An influence diagram, which is a method of analyzing a problem in terms of key variables and their impact on each other, was used to examine the effects of economic deterioration on four key groups in Jordan—students, the military, the Jordanian elite, and Palestinians. We believe that tensions between the Jordanian elite and Palestinians will escalate and may result in confrontations between them. Our influence diagram shows that the government, which will probably retain the support of the military, is likely initially to respond indecisively to unrest.*

*We evaluated three economic scenarios in terms of declining levels of Arab aid and worker remittances and also considered export earnings, budget expenditures, and unemployment. The analysis began with the following probabilities for each scenario: Chronic Problems, 0.3; Growing Difficulties, 0.6; and Worst Case, 0.1.*

*We believe that strains between the Jordanian elite and Palestinians will emerge from the intense nationalist feelings each will experience as competition for shrinking funds becomes more fierce. Palestinians,*

*especially those who happen to be students, are likely to be vocal in expressing their resurgent nationalism. According to our influence diagram, the government will probably worsen this situation by its preferred strategy of using available resources to allay unrest, alternating with repressive measures. It may underestimate the level of discontent triggered by chronic economic difficulties, which is likely to be as serious as the discontent in the worst case economic picture.*

*In our judgment, the military will be less affected by economic deterioration than the other groups, probably because the government will concentrate on military needs in allocating available resources. Although the Jordanian elite, Palestinians, and students are likely to show a significant level of unrest as the economic situation deteriorates, the military will probably become only moderately discontented. There are likely to be vocal complaints by field-grade officers, grumbling about equipment and supply shortages, and isolated calls by the military for remedial action by King Hussein. Economic deterioration seems unlikely to trigger a military coup.*

**Table 4**  
**Probable Impacts of Selected**  
**Economic Scenarios**

Economic Conditions	Level of Discontent	Government Response
Scenario 1		
Chronic problems	Moderate	Carrot-and-stick approach
Scenario 2		
Growing difficulties	Severe	Carrot and stick/possible repression
Scenario 3		
Worst case	Severe	Repression

and engineering careers, according to the US Embassy. On the basis of progress made so far, we believe that the government is not yet committed to its policy of encouraging students to aim for technical-vocational training rather than the professions.

**Military.** The lack of foreign assistance will continue to be the crucial constraint to Jordan's program to modernize its armed forces. Because of the decline in foreign assistance, Jordan has made little headway on ambitious plans to upgrade its aging inventory of military hardware, including its nearly 20-year-old US F-5 aircraft.

Secret

**Table 5**  
**Probable Behavior by Selected Groups**

	Jordanian Elite	Military	Palestinians	Students
Scenario 1	Sporadic calls for reform	Rising discontent	Vocal resentment	Moderate activism
Scenario 2	Nationalist sentiments	Rising discontent	Resurgence of nationalism	High level of activism
Scenario 3	Nationalist sentiments	Rising discontent	Resurgence of nationalism	High level of activism

[redacted] about one-third of the Baghdad payments to finance military purchases. Equally important has been the precipitous drop in US military assistance to the kingdom—which has plummeted in 1987 to half the \$81 million provided in 1986—and the repeated rejection of Jordanian requests for US arms such as the F-16 fighter aircraft and Stinger missiles. [redacted]

The kingdom's worsening cash problems will make external financing a key determinant of the amounts and kinds of new Jordanian arms purchases. As a result, Jordan most likely will shop for easy credit terms and price discounts that will allow it to buy new equipment. Amman is especially interested in either the British Tornado or French Mirage fighter aircraft as well as the Soviet MIG-29 and air defense missiles, [redacted] Jordan already has arms contracts with France, the United Kingdom, and the USSR that call for deliveries of military goods—including helicopters, air defense equipment, and reconnaissance vehicles—worth at least \$770 million through 1987, according to the Embassy. [redacted]

Amman is finding financing packages offered by the USSR an increasingly attractive incentive to purchase Soviet air defense systems and armor and may be lured into a major aircraft purchase as early as February. In an expansion of its arms trade with the USSR, Amman has bought from Moscow reconnaissance vehicles that were priced well below market value. [redacted] Amman is nearing a decision to purchase a squadron of

18 Soviet MIG-29 airplanes at favorable financial terms—at about \$500 million a deal that would be by far Jordan's largest arms deal with Moscow. [redacted]

We believe that the no-growth defense budget coupled with less foreign assistance will result in a degradation of Jordan's military readiness. It already is inferior to that of its potential adversaries, particularly Syria and Israel. Despite recent efforts to modernize its forces, Jordan is outnumbered in terms of manpower as well as the quantity and quality of its weaponry, according to the Embassy. Substantial shortcomings in air defense—both ground systems and aircraft—and inadequate logistic support are major drawbacks to Jordan's capability to defend itself from foreign attack, in our view. We expect a shrinking defense budget also will increase problems Jordan has long experienced in administering and controlling its maintenance program. [redacted]

We believe the fiscal restraints on military modernization will heighten discontent among field units already experiencing morale problems because of equipment shortages, cronyism, and low pay [redacted] junior officers in the field have expressed concern that the lack of modern hardware will make the Jordanian military increasingly inferior to those of its neighbors. [redacted]

25X1

25X1

25X1

25X1

25X1  
25X1

25X1  
25X1

25X1

25X1

Secret

[redacted] pose a potentially threatening security risk. Frustrations over declining job prospects probably will engender growing antiregime sentiment among younger Palestinians who have less of a stake in the economy. [redacted]

25X1

Despite these problems, dissatisfaction within the military will not boil over into significant opposition that would pose a threat to the regime. The leadership of the armed forces—composed largely of intensely loyal tribesmen of Bedouin origin—probably will tolerate the latest austerity budget while continuing to support the monarchy. In our judgment, most of the military focuses the blame on declining US aid, not on King Hussein. Moreover, rising unemployment in the civilian sector may reverse an earlier trend by making a military career more attractive to conscripts and those already in the military's professional ranks. [redacted]

[redacted] many students will deal with the lack of civilian job opportunities by attempting to enter the armed forces as career officers. [redacted]

25X1

Most Palestinians apparently are willing to give Hussein a chance to make good on his West Bank Development Plan, but even the staunchest supporters of the program are skeptical of long-term Jordanian objectives and capabilities, in our judgment. Most Palestinians perceive the development plan as a veiled strategy for Jordan to supplant the PLO as the legitimate representative of the Palestinians in the occupied territories, according to the US Embassy. Although many Palestinians are living well under Hashemite rule, they regard disavowal of the PLO as repudiation of their Palestinian identity, according to the Embassy. Many Palestinians also have unpleasant memories of Hussein's suppression of opposition to his policies before the West Bank fell into Israel's hands in 1967. [redacted]

25X1  
25X1

25X1  
25X1

**Palestinians.** We have assigned a high probability to increasing political dissatisfaction among Jordan's majority Palestinian community in response to a deepening recession and increased unemployment. We estimate that as much as two-thirds of Jordan's population of 2.8 million is Palestinian. Embassy sources report Palestinians believe Amman pursues a deliberate policy that gives preference to native Jordanians for university education and for the highest positions in the government and the military. The monarchy promotes relatively few Palestinians to the most senior military ranks and excludes them from serving in key combat units. Declining standards of living among the Palestinians—especially for those in the refugee camps—are likely to magnify their suspicions of Hussein's intentions and the perceived limitations on their status. [redacted]

A deteriorating economic situation might over time weaken the resolve of the Palestinians to preserve the link between the political stability of the monarchy and their own economic interests. We believe a mass of unemployed or underemployed Palestinians would

Despite the malaise engendered by economic stagnation, the Palestinians probably will not challenge the stability of the regime through the rest of this decade. Most have become well established economically, dominating the professions, the media, and commerce. The Palestinians' ownership of a large proportion of Jordanian businesses, including firms in banking, manufacturing, and construction, gives them a strong vested interest in the status quo. Inter-marriage has begun to blur national origins, and mandatory military service and education through secondary school have helped integrate the younger generations into Jordanian society. [redacted]

25X1

**Jordanian Elite.** We believe that Jordan's inability to solve its worsening economic problems will intensify opposition among a small but vocal group of isolationist Jordanian politicians opposed to the government's activist foreign policy. Their strongest objections are reserved for Prime Minister Rifa'i's policies on the peace process and his financial aid package for the

25X1

Secret

Secret

---

**West Bank and Gaza Development: A New Dimension**

*King Hussein's commitment to economic development for both Jordan and the West Bank has put his prestige on the line at a time when the economy can least afford the expenditures. The five-year plan for 1986-90 calls for investment of nearly \$10 billion, over half of which is to come from the public sector, according to the press. For the first time, Jordan has included an economic development plan for the West Bank and Gaza that, if implemented, would cost an additional \$1.3 billion.* [redacted]

*The West Bank and Gaza development program focuses on social projects that will give maximum benefit to the general populace. Almost three-fourths of the planned investments are earmarked for education, social welfare, and construction, according to the Embassy. Spending in these areas is designed to improve the quality of life and work skills of the West Bank and Gaza populations and to stimulate employment opportunities. Hussein believes that improving economic conditions is the best way to win the Palestinians' acceptance of Jordan—and not the PLO—as their key representative in future peace negotiations.* [redacted]

*The key obstacle to the development plan's success is Jordan's inability to pay the bill. Although Amman has procedural guidelines in place, it allocated only \$28 million in 1987 for the program, which will*

*theoretically cost about \$250 million annually. As a result, Jordan has had to campaign aggressively for foreign assistance to finance its project list.* [redacted]

*Donor response to Jordan's initiatives has been unenthusiastic. Only the United States and the United Kingdom have made direct contributions to the development program, which to date has received a total from all sources of only \$71 million. The Embassy reports that most West European donors believe that aid to the West Bank and Gaza funneled through Jordan will compromise their neutrality regarding the legal status of the occupied territories and perhaps even provoke the Arabs to implement a retaliatory boycott. As a result, they have provided only token assistance—much of it given directly to the West Bank and Gaza. A major disappointment for Amman has been the failure of its traditional Arab benefactors to provide funds for the plan.* [redacted]

*The best we believe Jordan can expect is enough money to start a few smaller projects that demonstrate to the Palestinians the program is potentially viable. Foreign donors almost certainly will continue to be tightfisted. Saudi Arabia, for example, has told Hussein it cannot provide money because of its own financial difficulties. New money will come too late to allow Jordan to show significant accomplishments before the end of 1988.* [redacted]

West Bank and Gaza development programs, according to the US Embassy. At the same time, the Embassy reports these "East Bankers" are not confident that Rifa'i can make good on his promises to improve the economy. Native Jordanians believe that Amman should curb its regional ambitions, according to the Embassy, and concentrate its efforts on Jordan's own economic problems, especially unemployment. [redacted]

For the near term, we believe the Jordanian opposition cannot capitalize on the country's economic problems to win significant nationwide support. The US Embassy reports that many Jordanians believe

Rifa'i should not be blamed for the country's economic problems, seeing them as inherited or endemic. Despite growing frustration, much of the general public recognizes that the economic difficulties arise from stagnating Middle Eastern oil markets rather than specific government policies. [redacted]

**Islamic Activists.** Islamic fundamentalists probably will intensify efforts to exploit university student concerns over the economic situation as they did in May 1986, when student demonstrations at Yarmuk University resulted in violent confrontations with government troops, leaving three students dead. An

Secret

**Secret**

increase in Islamic activity in recent years has culminated in fundamentalists controlling virtually every student committee at both Yarmuk University and the University of Amman, according to the US Embassy. We believe that these positions of influence will enable campus zealots to capitalize on increased student protest as the economy worsens and the job market shrinks. [ ]

[ ] the Muslim Brotherhood—the only fundamentalist group legally permitted in Jordan—will focus increased attention on recruiting Jordanian youth and the lower classes, who are disproportionately hurt by the declining standard of living and growing unemployment. The Brotherhood may even appeal to highly educated Jordanians angry over dashed expectations of significant upward mobility. The Brotherhood almost certainly will use its system of schools, social service facilities, and youth programs as vehicles to reach these groups. It is likely to take advantage of its power base in the Ministry of Education to win new converts among Jordanian students. Smaller, more radical groups such as the Islamic Liberation Party also are likely to win converts, especially among unemployed younger Jordanians alienated from society. [ ]

We do not believe that economic problems will give the Islamic movement enough ammunition to pose a serious threat to the monarchy. Radical fundamentalism does not appeal to most of Jordan's largely Sunni Muslim population. The Brotherhood is likely to remain a fractious collection of groups without an organizational structure, unified leadership, or common goals. In our view, Islamic activists will not aspire to overthrow the monarchy but will use the discontent generated by the poor economy as an opportunity to press for the implementation of Islamic standards including dress codes and other religiously prescribed forms of behavior. [ ]

At the same time, government security forces, in our view, will maintain a tight rein on Islamic organizations through a network of informants and will crack down on extremist groups if necessary. King Hussein almost certainly will oppose parliamentary initiatives that allow the Islamic movement to transform social institutions, especially the educational system. [ ]

#### **Other Interest Groups**

**Religious and Ethnic Minorities.** Christians and Circassians—who together account for about 5 percent of the population—are unlikely to pose serious problems for the regime. These groups are for the most part well integrated into the economy. Most Christians have done relatively well in the private sector because of tolerant Hashemite rule, according to the US Embassy. Moreover, the Christians generally have come to rely on the King to protect their interests, particularly from Islamic fundamentalists. Circassians are concentrated in the military and security services and are renowned for their loyalty to Hussein, according to the Embassy. [ ]

**Political Groups.** Political parties—which Jordan tacitly allows to operate despite its 30-year ban on them—are not likely to threaten the stability of the monarchy. The three largest groups—the Unionist Democratic Alliance, Arab Constitutional Party, and Socialist Party—have not been able to expand their memberships, according to the Embassy. Their administrative structures in Amman are weak, and the groups have scant influence outside the capital, according to the US Embassy. The 1,000-member Communist Party is ineffective largely because its ideology does not appeal to traditionalist-oriented Jordanians. [ ]

**Labor Unions.** Despite the grim employment outlook, we do not believe labor union activity will lead to major strike activity or other serious labor disturbances. The Jordanian Federation of Trade Unions—an umbrella organization of 17 member unions—represents less than 10 percent of Jordan's work force, giving it little political clout. The federation's president, Sami Mansur, is solidly progovernment, according to the Embassy. We believe that the government's carrot-and-stick approach to the unions helps ensure their docility. Amman imposes an almost total ban on strikes and is the final arbiter in management-labor disputes. [ ]

#### **Response From the Throne**

King Hussein, we believe, will manage to contain popular discontent by balancing the demands of a wide range of key interest groups. Although Hussein has final authority in all decisions, he will carefully

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

**Secret**

Secret

weigh public opinion in setting economic policy. We believe he will allow relatively open debate on economic issues within the parliament and informal political groups so long as his rule is not challenged. Hussein's initial response most likely will be to minimize painful budget cuts and other austerity measures—such as subsidy reductions—that would be unpopular with these groups. He also most likely will continue to mandate legislation that assists both business and labor. [ ]

Should Hussein perceive that discontent is about to boil over into active unrest, we judge he would take more repressive steps to ensure the security of the Hashemite monarchy. Hussein probably would dissolve the parliament and would take advantage of martial law—technically in effect since 1967—to impose greater press censorship, prohibit political meetings, and crack down on dissident groups by using the military and the General Intelligence Directorate. [ ]

King Hussein will continue to make Palestinian issues a central element of his domestic and foreign policy, in our judgment. To this end, Hussein will ensure that Palestinians have access to Jordan's political and social institutions to preserve their loyalty to the monarchy. He most likely will continue his policy of ensuring that Palestinians are represented in the Cabinet and the parliament. Hussein approved an election law passed last year that for the first time allows Palestinians in refugee camps in Jordan to elect members to the parliament. [ ]

Hussein also will take full advantage of the intense personal allegiance he commands—and of his role as military patron—to preserve the military's loyalty to the monarchy. He has handpicked nearly all of the most senior officer corps to ensure the armed forces' allegiance to the throne and will continue to be closely involved in major military appointments. Keenly aware of the importance of a loyal military to his regime, King Hussein will endeavor to meet its legitimate needs, especially for new aircraft and additional air defense systems. If necessary, we believe that Hussein will increase arms purchases—including from the Soviets—at the expense of civilian spending programs. [ ]

We cannot rule out the possibility that Hussein will replace Rifa'i as Prime Minister if he believes the economic situation focuses too much criticism on the monarchy. We judge that Hussein has delegated most economic issues to the Prime Minister to protect himself from public attack. Hussein fired Rifa'i in 1976 in response to intense criticism from opponents who believed the government devoted too much attention to the PLO and the West Bank and not enough to strictly Jordanian issues. [ ]

25X1

25X1

#### Implications for the United States

We believe that Jordan's confidence in the United States as a reliable donor—especially for its military assistance programs—will continue to decline as long as US Congressional stipulations regulating military aid remain in force. Jordan is deeply disappointed in the United States because of the failed arms package and the Iran-Contra affair, in our view. In our judgment, Hussein believes that dwindling US assistance is a major factor behind Jordan's eroding military readiness. Despite the reduced US role, we believe that Jordan will continue to look to the United States to intercede on its behalf with the West European countries and Saudi Arabia for additional aid, both for military purchases and economic development. Although other issues, including the Arab-Israeli peace process, influence the US-Jordanian relationship, we believe that King Hussein attaches the most weight to US military assistance. [ ]

25X1

25X1

Lacking adequate financial support from his allies, Hussein may become too preoccupied with the economic recession and its potential impact on domestic stability to concentrate on regional affairs, especially the peace process. Without a strong economic base, Amman's ability to play an active role in the region—in the West Bank particularly—will be greatly diminished. A failure of Hussein's development plans for either Jordan or the West Bank would seriously damage his credibility among both Palestinians and Jordanians. Hussein also would lose a historic opportunity to establish Jordan as the accepted alternative to the PLO among Palestinians in the occupied territories. [ ]

25X1

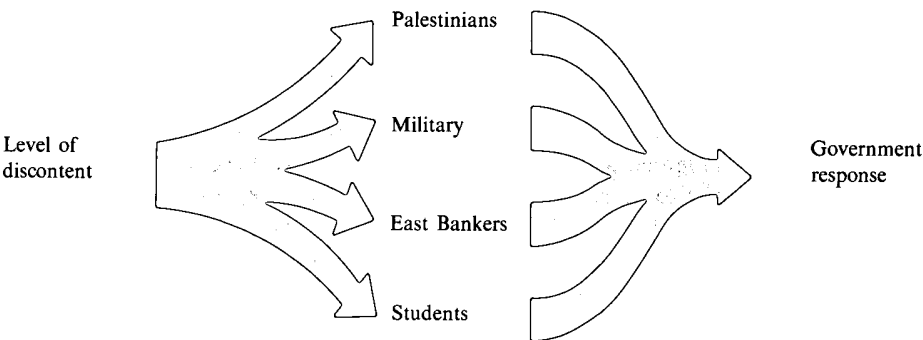
25X1

25X1

Secret

Secret

**Figure 6**  
**Jordan: Influence Diagram — The Impacts of Discontent**



315201 12-87

25X1

Secret



Secret

## Appendix

### An Assessment of Political Impacts Using an Influence Diagram

An influence diagram is a graph representing the effects of key variables on each other. The technique requires that country analysts define outcomes for each variable and assign to them conditional probabilities. A computer is then used to calculate final "solutions" for the total diagram as well as for its component parts. [redacted]

The technique allows the analyst to clarify problems, explore their complexities, and test how possible events could affect the likelihood of possible outcomes. The influence diagram can be tailored to fit the analyst's understanding of the structure of a problem. It can also be molded to fit any type of study—political, economic, military—using expert opinion for data. [redacted]

#### Methodology

Although it is not unusual to redraw a diagram several times while analyzing a single problem, this study used a simple input-output model. The questions examined were: How will economic deterioration affect the behavior of key political groups in Jordan over the next three years, and how will the government respond? [redacted]

The three scenarios for "Economic Conditions" were "Chronic Problems," "Growing Difficulties," and "Worst Case." The analyst defined these scenarios fairly precisely in terms of several economic indicators: unemployment, foreign aid, remittance levels, budget totals, and export earnings. For example, Growing Difficulties included a 25-percent rise in unemployment; a 10-percent decline in foreign aid; and no change in export earnings, remittances, and the budget. [redacted]

Three possible responses were defined for each interest group. For example, one option for the Palestinians was "resurgence of strong nationalist feelings threatening social cohesion and authority of the government; growing membership in extremist and illegal

fundamentalist groups; heightened sense of alienation; persistent calls from the Palestinians for action by King Hussein." [redacted]

Analysts also defined three possible outcomes for the "Government Response" variable, which refers to the regime's reactions to a climate of unrest, not its policies toward any one group. "Carrot and Stick," which the analysis predicted would be the government's most likely option (0.55 probability), would be an attempt by Hussein to maintain the regime by accommodating certain groups within allowable financial bounds. "Increased Repression" (0.31 probability) includes such actions as the shakeup of the regime, with the possible appointment of a new prime minister and increasing use of the military to control unrest. "Martial Law" (0.14 probability) would involve such measures as the roundup of dissidents, severe censorship, bans on meetings, and use of the military and intelligence services to contain civil unrest. [redacted]

The first run of the influence diagram yielded fairly straightforward results. A 0.6 probability (as initially estimated by analysts) of chronic economic difficulties meant that the government would probably use a carrot-and-stick approach to deal with escalating dissatisfaction. [redacted]

At this point, another variable, "Level of Discontent," was introduced into the diagram. This defined more clearly the nature of unrest produced by each level of economic deterioration as well as the impact of the economic climate on individual actors. [redacted]

#### Results

The military would be less affected by growing economic difficulties than the other groups. The Jordanian elite, Palestinians, and students, however, would react as strongly to this condition as they would to the worst case scenario. The expanded model showed that the government would vacillate between the carrot-and-stick approach and repressive measures. [redacted]

**Secret**

**Secret**